

WFGD and SCRDefinitions

Base Estimate: WFGD - based on detailed capital cost estimate dated 9/1/11, recalibrated to latest project implementation schedule (equivalent to Case 2 cash flow issued on 12/8/11). The original 9/1/11 estimate was based on a standardized project schedule.

SCR - based on detailed capital cost estimate dated 4/9/2009, escalated to 2011 dollars, deletion of overlapping scope (ID fans and aux. power systems) with WFGD estimate, and recalculation of indirects by using same indirect % as used in WFGD base estimate.

Low Estimate: Based on reduction of base estimate in following areas:

WFGD

- 1) Using an EPC fee of 10%, which more closely matches today's current rate as opposed to the 15% fee used in the base estimate
- 2) Using a lower contingency of 10% on the equipment costs. The base estimate used 20% contingency throughout.
- 3) Using the vendor quotations with the lowest capital cost as opposed to the higher capital cost as was used in the base estimate
- 4) Using non-union labor rates. Union labor rates were used in the base estimate.

SCR

- 1) Using a multi-contract management fee of 3%, as opposed to the 15% EPC fee used in the base estimate. The SCR work is expected to be multiple contracts, which would result in a much smaller contracting fee.
- 2) Using a lower contingency of 10% on the equipment costs. The base estimate used 20% contingency throughout.
- 3) Using today's catalyst cost (\$5,200 / m³), which is significantly lower than the cost used in the original SCR estimate (\$7,000 / m³).
- 4) Using non-union labor rates. Union labor rates were used in the base estimate.

High Estimate: Base estimate plus the potential market volatility as presented in the volatility analysis dated 9/14/11, and recalibrated to the latest project implementation schedule

The additional cost of the new air heater for Unit 2 will be added to the SCR estimate.

Escalation: A 4% escalation will be used, which is consistent with the escalation rate used in the base cost estimate

Cost Matrix (costs rounded to nearest million)

	Low (\$ Millions)	Base (\$ Millions)	High (\$ Millions)
Start 2012; In service dates: U1 - 2015 fall, U2 - 2016 fall⁽¹⁾			
Cost reductions from Base - WFGD			
- 10% EPC fee (after reduction due to lower quotes and non-union labor)	-40	N/A	N/A
- Lower equipment contingency of 10% (after reduction of all other factors)	324	N/A	N/A
- Lower vendor quotes (including all original indirects)	-25	N/A	N/A
- Non-union labor (includes change in overtime costs, and all original indirects) ⁽³⁾	-85	N/A	N/A
Cost reductions from Base - SCR			
- 3% fee (after reduction due to lower quotes and non-union labor)	-39	N/A	N/A
- Lower equipment contingency of 10% (after reduction of all other factors)	-5	N/A	N/A
- Lower catalyst cost (including all original indirects)	-13	N/A	N/A
- Non-union labor (includes change in overtime costs, and all original indirects) ⁽³⁾	-39	N/A	N/A
Volatility cost increase ⁽²⁾	N/A	N/A	85
Unit 2 Air Heater Replacement Cost (added to SCR project)	N/A	N/A	105
Total	1,242	1,517	1,707
Start 2013; In service dates: U2 - 2016 spring, U1 - 2017 spring (3-4 year schedule)			
Additional Escalation (4% material, equipment, labor) and AFUDC Costs	28	34	38
Total	1,269	1,551	1,745
Start 2014; In service dates: U1 - 2017 spring, U2 - 2018 spring (3-4 year schedule)			
Additional Escalation (4% material, equipment, labor) and AFUDC Costs	51	62	70
Total	1,320	1,613	1,815
Start 2014; In service dates: U1 - 2018 spring, U2 - 2019 spring (4-5 year schedule)			
Additional Escalation (4% material, equipment, labor) and AFUDC Costs	53	64	72
Total	1,373	1,677	1,887
Start 2012; In service dates: U1 - 2017 spring, U2 - 2018 spring (5-6 year schedule)⁽⁴⁾			
Additional Escalation (4% material, equipment, labor) and AFUDC Costs			
Total			

Notes:

1. This scenario is considered to be an aggressive project timeline as procurement and permitting activities were assumed to have already begun.
2. The market volatility cost increase is considered very unlikely at this time, but would have a higher probability the further the project start is delayed.
3. Productivity rate between union and non-union labor assumed to be equal.
4. This scenario presents more risk associated with uncertainty in firm pricing from equipment suppliers and contractors, and the increased potential for long-term storage costs and costs of extended warranties. This scenario will not be calculated at this time as agreed upon with NPPD.